United Nations A/C.5/53/SR.32

General Assembly
Fifty-third session

Official Records

Distr.: General
30 November 1998

Original: English

Fifth Committee

Summary record of the 32nd meeting
Held at Headquarters, New York, on Friday, 20 November 1998, at 3 p.m.

Chairman: Mr. Abelian ..... (Armenia)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

Contents

Agenda item 111: Financial reports and audited financial statements, and reports of the Board of Auditors *(continued)*

Agenda item 135: Financing of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991

Agenda item 137: Financing of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994

Other matters

This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of publication* to the Chief of the Official Records Editing Section, room DC2-750, 2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate corrigendum for each Committee.

98-83599 (E)

The meeting was called to order at 3 p.m.

Agenda item 111: Financial reports and audited financial statements, and reports of the Board of Auditors *(continued)* (A/52/5 (Vol. II), A/52/867, A/52/811 and A/52/879; A/53/5 (Vols. I, III and IV), A/53/5/Add.1–10, A/53/217, A/53/335 and Add.1, A/53/508 and A/53/513)

1. **Mr. Fakhouri** (Director of the Division of Financial Management Services, Office of the High Commissioner for Refugees (UNHCR)) said that UNHCR attached great importance to the audit process both as an oversight mechanism and as a management tool. It had taken note of the concerns expressed in the areas of income recognition, audit certification and biennial audit reports.

2. With regard to the concern that income was being overstated, he said that UNHCR used an accrual basis of accounting for revenue in its financial statements. In other words, income was recorded when it was due and not when it was received. Article 35 of the United Nations Accounting Standards stipulated that voluntary contributions to funds for specific purposes should be recorded only when received. The application of that article to the special programmes and activities of UNHCR, however, would have grave implications, as it would affect the agency's ability to carry out mandated activities until the cash had been received. Delays in receiving funds could force programmes to halt operations until funds came in. In its report, ACABQ had shared the reservations of the High Commissioner in respect of the application of article 35, except to the Trust Fund. In the view of its Executive Committee, UNHCR should continue to record income in accordance with current practice. Work towards a unified budget structure would go far towards addressing that problem.

3. In the area of audit certification, in 1997 UNHCR had channelled $421 million through 685 implementing partners, of which 160 were Governments and 518 local and international non-governmental organizations. UNHCR was committed to reaching full compliance with certification standards.

4. On the subject of biennial reporting, he said that UNHCR submitted annual budgets and reports to its Executive Committee. Such yearly reporting practices represented a safeguard for donors, as the proper use of funds was certified on an annual basis. The Executive Committee had expressed its preference for an annual audit cycle, while ACABQ had recommended a biennial cycle. UNHCR valued the advice of ACABQ and recognized the merits of standardizing accounting practices. In addition, a biennial cycle would allow more time for the preparation of reports. However, that improvement might be achieved at the expense of the confidence which had been displayed by the Executive Committee in UNHCR operations.

5. **Ms. Sham Poo** (Deputy Executive Director of the United Nations Children's Fund (UNICEF)) said that as pointed out in the report of the Board of Auditors (A/53/5/Add.2, chap. II, para. 12), cash assistance to Governments provided funds to Governments to support programme implementation. The ownership of the funds was transferred to the Government at the time the payment was made; however, it was the responsibility of UNICEF to ensure that the funds were used for the purpose intended. UNICEF required Governments to account for the utilization of that assistance. The payment of cash assistance was made on an ongoing basis in accordance with the plan of action laid out in the programme of cooperation with the Governments concerned. At any point in time in the financial year there would be unliquidated cash assistance to Governments, representing payments for which documentation had not yet been received.

6. It was significant, as the Board pointed out in its report (A/53/5/Add.2, chap. II, para. 14), that the balance outstanding for over nine months had decreased from $34.3 million at 31 December 1995 to $11.1 million at 31 December 1997, which showed that the action initiated by UNICEF to strengthen the monitoring of cash assistance had been effective. That action included conducting workshops in work process redesign and control self-assessment. Workshops had also been held in many countries with Government counterparts in order to reach a better understanding of the cash assistance documentation requirements.

7. Cash assistance was a very important component of UNICEF programmes of cooperation; if it were suddenly to decrease substantially, UNICEF would be concerned that programme plans were not being implemented. In its report for the biennium ended 31 December 1995, the Board had recommended that UNICEF should review the policy of recording cash assistance to Governments in line with the provisions of the Financial Regulations and the Policy Manual on Accounts. During the ensuing biennium UNICEF had conducted a review of accounting standards and related programme policies and procedures, the results of which had confirmed that UNICEF had been consistent in its policy of recording cash assistance but that a financial regulation adopted in 1988 to define programme expenditure was confusing and hard to interpret. UNICEF had informed the Board that to rectify that situation it would evaluate and

update its financial regulations and that it would conduct a similar analysis with respect to its financial rules, policy manuals and instructions. As to the Advisory Committee's suggestion that it should consult with other funds and programmes, UNICEF maintained close contact with other funds and programmes on many issues of common concern.

8. The issue of cost overruns of construction projects managed by UNDP had been the subject of a recent UNDP investigation that had resulted in the criminal investigation of two individuals and disciplinary action taken towards others. Although billed for costs in excess of those originally agreed upon, UNICEF had not paid them, because they could not be substantiated. As recommended by the Board, UNICEF had asked UNDP for documentation substantiating the cost overruns, which UNDP had been unable to provide for reasons that became evident during the course of the UNDP investigation.

9. UNICEF did not fully agree with the Board's interpretation of decision 1990/26. In that decision, the UNICEF Executive Board had decided to establish a reserve fund for field office accommodation. Document E/ICEF/1990/AB/L.8 contained, for information only, an annex estimating the proportionate share for UNICEF of 15 country projects. UNICEF would seek clarification from the Executive Board when it reviewed the financial statements for the 1996–1997 biennium.

10. UNICEF had strengthened the management of special service agreements to ensure better compliance with administrative instructions and to obtain better value for money. Offices now reported on the issuance of special service agreements each quarter. The Administration had reminded offices that agreements must be signed before work commenced and that agreements could not be extended without written evaluations for previous work carried out. Additional instructions had been issued with respect to the applicability of competitive selection, justification for sole source selection, maintenance of rosters and fee ranges. The Administration had made it clear that heads of offices and other staff who had authority to issue contracts would have that authority withdrawn if they failed to comply with those instructions.

11. With regard to the Advisory Committee's recommendation that the Executive Director should report to the Executive Board on action taken to address the findings of the Board of Auditors, she said that as an ongoing practice, UNICEF had been submitting a report to the General Assembly, through the Advisory Committee, on the measures to be taken to implement the recommendations of the Board of Auditors, and the status of implementation of recommendations for the previous biennium. The UNICEF Executive Board had reviewed the most recent report at its second regular session in September 1998. In addition, the Executive Director gave an oral update to the Executive Board, in accordance with decision 1997/10, in years in which UNICEF did not have a written report; that had been done for the first time at the first regular session, in January 1998. UNICEF had also presented to its Executive Board regular progress reports on the Management Excellence Programme, covering the framework and accountability system for performance monitoring and oversight in UNICEF.

12. UNICEF had in place very strict guidelines governing the identification, reporting and prosecution of fraud and presumptive fraud. Through the Management Excellence Programme, the message had been communicated to all staff that each individual was fully accountable for the safeguarding of UNICEF resources.

13. The UNICEF Administration had taken major steps to address the year 2000 problem. It was phasing out non-compliant legacy systems and would be implementing a field system as well as a headquarters system which was year 2000 compliant. In addition, the UNICEF Administration had sent instructions to all offices on how to prepare for the year 2000 and would continue to send information. It was planning a simulation exercise early enough in 1999 to take any corrective action that might be required.

14. **Mr. Shunglu** (Chairman of the Board of Auditors), in response to the comments and questions of members concerning its reports, said that the Board continued to explore ways to improve its reporting methods and welcomed the support expressed for providing additional resources for its operations. It shared the concerns regarding implementation of its recommendations and agreed that further effort was required on the part of the Administration to ensure that deficiencies identified were fully addressed.

15. The Board shared the concerns regarding the management of assets and the problems with transfer of property from peacekeeping operations at additional cost to the Organization. Such missions should be liquidated quickly in order to avoid undue cost increases. The Administration must address seriously the ongoing problems with the hiring and evaluation of consultants. The Board would monitor compliance with the guidelines in that area and reiterated that United Nations accounting standards must be fully applied.

16. On the subject of procurement, the Board had taken note of the request that it should conduct a horizontal audit during the 1998–1999 biennium. To clarify its suggestion

that provision should be made for delays in collecting assessed contributions, disclosures in the financial statements highlighted the fact that accrued income had not been received in full and, as contributions could not be written off, presented a more accurate picture of resources.

17. The Board shared the concerns expressed with regard to the pace of preparedness in addressing year 2000 issues. Organizations which had not yet assessed their core information systems must take urgent action.

18. With reference to the comment by the representative of Canada that the findings of the Board involved minor compliance issues, he said that such issues were crucial for the purposes of the review, monitoring and control of projects. Once headquarters monitoring became weak, other problems followed and could lead to significant defects in project management. With regard to the need to make reports available to the Fifth Committee at the beginning of its session, he said that the Board of Auditors required three months to finalize its reports after the financial statements had been delivered to audit teams. In accordance with the Financial Rules, statements should be given to the Board no later than 31 March of the year following the end of the biennium. For the biennium 1996–1997, the statements had been received on 16 April 1998 and the reports had been issued on 15 July, two weeks earlier than for the previous biennium.

19. The Board fully agreed that compliance with accounting standards and application of financial controls would serve to minimize fraud throughout the system. The guidelines adopted by the International Organization of Supreme Audit Institutions, could be used as a basis for developing a United Nations set of standards, to be submitted to the General Assembly for approval.

Agenda item 135: Financing of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 (A/52/520 and A/52/891; A/53/651; A/C.5/52/47; A/C.5/53/12 and A/C.5/53/13)

Agenda item 137: Financing of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 (A/52/520 and A/52/784; A/53/659; A/C.5/52/48; A/C.5/53/14 and A/C.5/53/15)

20. **Mr. Sach** (Director of the Programme Planning and Budget Division) drew attention to document A/C.5/53/12, which contained the revised estimates for 1998 for the International Tribunal for the Former Yugoslavia. Following the adoption of Security Council resolutions 1160 (1998) on Kosovo and 1166 (1998) authorizing the formation of a third Trial Chamber, ACABQ had concurred in the request for additional commitments of $2,627,300 gross, which reflected the additional requirements for 75 temporary posts and related expenses pursuant to those resolutions and for unforeseen developments, including an increased number of detainees and the early opening of the third Trial Chamber made possible by in-kind donations. A review of 1998 expenditure trends showed that savings would offset those additional requirements. Therefore, the General Assembly would be requested to approve an appropriation of $68,611,900 gross, which represented a reduction of $217,900 gross in requirements. The revised staffing table was also proposed for approval.

21. The 1999 resource requirements of the International Tribunal for the Former Yugoslavia were set forth in document A/C.5/53/13 and contained a request for $106,385,200 gross, representing an increase of $37,555,400 gross. An additional 267 posts were being requested, for a total of 838. The Tribunal was mandated to provide a fair trial for all accused persons without undue delay. Therefore, the Secretary-General's proposal reflected the need for effective functioning in the light of the increased activity resulting from the addition of the third Trial Chamber, the expanded mandate for Kosovo and additional investigation and court activities. The additional staffing was intended to provide the necessary administrative infrastructure.

22. Document A/C.5/53/14 contained the revised estimates for 1998 for the International Criminal Tribunal for Rwanda. As a result of Security Council resolution 1165 (1998) regarding the establishment of a third Trial Chamber, a commitment authority had been requested by the Secretary-General and approved by the Advisory Committee to cover the related expenses. The revised estimates for 1998 had been prepared to reflect the additional resource requirements in connection with the third Trial Chamber, including 34 new temporary posts and unforeseen expenses. However, an analysis of expenditure trends for 1998 indicated that net savings of $2,835,700 were expected. The General Assembly was therefore requested to approve a revised appropriation of $52,297,900 gross, which represented a reduction in requirements of $4,340,700 gross. A revised staffing table was also proposed for approval.

23. The 1999 resource requirements of the International Criminal Tribunal for Rwanda were set forth in document A/C.5/53/15 and contained a request for $80,612,600 gross, representing an increase of $22,202,200 net or 43.6 per cent over the initial 1998 appropriation. 256 posts were also proposed, bringing the total staff to 838 posts. The increase in resource requirements for 1999 were mainly attributable to the establishment of the third Trial Chamber, stepped-up activities in investigations and the enhanced delivery of support services.

24. There were currently 32 detainees in custody in the United Nations detention facility in Arusha. In 1999, six trial cases would be held simultaneously in the three trial chambers. The Office of the Prosecutor would step up its activities in both investigation and prosecution and the Registry, in turn, would enhance its administrative and legal services. The overall level of resources requested was reflective of the scope and magnitude of the increased operations required of the Tribunal to fulfil its mandate.

25. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the Advisory Committee's report in documents A/53/651 and A/53/659, said that, for the International Tribunal for the Former Yugoslavia , $68.6 million was requested for 1998, including 646 posts, reflecting 75 additional posts, for 1999, the proposed budget of $106.4 million included 838 posts, reflecting 267 additional posts, including the 75 posts requested for 1998. The Advisory Committee recommended the amount of $68,090,000 gross for the 1998 revised budget and an appropriation of $103,060,000 gross for 1999. A total of 777 out of the 838 posts requested under the assessed budget for 1999 was recommended by ACABQ.

26. For the International Criminal Tribunal for Rwanda, a revised budget in the amount of $52.3 million had been requested for 1998, including 34 additional posts. For 1999, the proposed budget was set at $80.6 million, incorporating 256 additional posts, including the 34 posts requested for 1998. The Advisory Committee recommended approval of the revised budget for 1998. For 1999, it recommended an appropriation of $76.2 million gross and a total of 778 out of the 838 requested posts under the assessed budget.

27. The Advisory Committee had conducted an extensive review of the budgets of the two Tribunals, and its reports contained a large number of observations and recommendations concerning their operation and the factors that had led to the request for additional resources. Although there had been considerable improvement in the format and presentation of the budgets, the Advisory Committee believed that further improvements should be made. While the Tribunals had made great strides in filling authorized posts, the vacancy level remained high, and for that reason, the Advisory Committee was of the view that the current vacancy rate must be reduced considerably before a determination could be made as to whether more posts were needed. Furthermore, there appeared to be a tendency to request posts and other resources to address every perceived potential development. The Advisory Committee was of the view that, since the Tribunals were currently provided with a considerable number of posts, greater effort should be made to assess the extent to which additional functions could be absorbed before a request for additional resources was made.

28. Finally, the Committee was recommending an expert evaluation of the two Tribunals. Its recommendations on that subject were contained in paragraphs 65 to 67 of its report on the International Tribunal for the Former Yugoslavia (A/53/651) and paragraphs 84 to 86 of its report on the International Criminal Tribunal for Rwanda (A/53/659).

29. **Mr. Sial** (Pakistan) said that his delegation deeply regretted the late submission of the reports of the Secretary-General, as a result of which the Advisory Committee's reports had also been delayed. The timely submission of reports was a prerequisite for the efficient functioning of the Committee. Late submission was a chronic problem which must be addressed. The presentation of the reports did not fully comply with the requirements of General Assembly resolution 52/214, part B.

30. His delegation fully supported the establishment and operation of the two Tribunals and believed that adequate resources should be provided for them. It agreed with the Advisory Committee's recommendation regarding the evaluation of the two Tribunals by a group of independent experts, which should be implemented as soon as possible. However, the recommendation that the costs of the evaluation should be borne by the budgets of the two Tribunals needed further clarification.

31. With regard to the information provided in annex V of document A/C.5/53/15, his delegation noted that three recommendations of the Office of Internal Oversight Services (OIOS) had not bee implemented, including the recommendation that the legal adviser to the Registrar should be reassigned. That situation brought to the fore the urgent need to review and evaluate General Assembly resolution 48/218, part B. His delegation noted that some gratis personnel had been accepted as late as August 1998, and it stressed that General Assembly resolution 51/243 must be implemented.

32. **Ms. Butschek** (Austria), speaking on behalf of the European Union, said it was regrettable that some documents had been issued extremely late. The European Union reserved the right to return to them at a later stage.

33. **Mr. Sulaiman** (Syrian Arab Republic) said that his delegation supported the view of the representative of Pakistan that OIOS recommendations which had not been implemented must be reviewed.

Other matters

34. **Ms. Incera** (Costa Rica) said that, in the Committee on Relations with the Host Country, her delegation had been concerned to learn about reductions in the number of security staff. She asked how many posts had been cut, how many staff were left, and whether external hiring was being resorted to.

35. **The Chairman** said that he would seek information on the subject. The number of security staff had been reduced in accordance with General Assembly resolution 50/215 A.

36. **Mr. Sulaiman** (Syrian Arab Republic) said that his delegation shared the concerns of the representative of Costa Rica; the issue must be resolved.

The meeting rose at 4.15 p.m.